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March 26, 2020

Robinhood Offers Reparations for Systems Collapse—with a Catch

by [Jed Horowitz](https://advisorhub.com/team/jed-horowitz/) (<https://advisorhub.com/team/jed-horowitz/>) |

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Robinhood Markets, the commission-free stock trading app whose systems crashed earlier this month, is offering credits of at least \$75 to customers who made claims of losses as a result of the outage, if they sign releases absolving the firm of further liability.

The Silicon Valley-based firm has voluntarily offered the \$75 “goodwill” remediation to customers who had little or no data to support their claims, a spokeswoman said, and higher amounts on a case-by-case basis.

"Robinhood offers this payment in full satisfaction of any alleged losses you may have experienced or claims you have against Robinhood or any of its parents or affiliates and their respective employees and directors arising from or in any way related to the interruptions to trading operations...,without any admission or liability," a short-form release emailed to customers said. "By signing below, you agree to release Robinhood with respect to any and all such alleged losses and claims as a condition of accepting the offered payment."

Several customers who received \$75 offers were skeptical, saying the outage cost them thousands of dollars.

"I lost 8k and they only offer me 74\$[sic], wtf," Dylan @damien1327 wrote on Twitter Wednesday night.

In a follow-up response to AdvisorHub, he said he filled out a loss form listing "all my expired options....so they did have the info."

A company spokeswoman would not comment on how many customers were offered remediation, the review process or the range of "one-time payment" offers the firm is making. The payments are credited to customer accounts.

The fallback \$75 offer corresponds to the standard fee (<https://robinhood.com/us/en/support/articles/360001226666/transfer-stocks-out-of-your-robinhood-account/>) Robinhood charges customers for closing accounts and transferring their assets to other firms.

The offers are being made as at least five putative class-action complaints have been filed against Menlo Park, Calif.-based Robinhood.

"It's a sleight of hand by Robinhood to say, 'I'm sorry, now release all claims,'" said Michael Taaffe, the lead lawyer in a class-action suit filed in Florida (<https://advisorhub.com/robinhood-attracts-class-action-suit-from-brokerage-lawyer-taaffe/>) on March 5.

The Robinhood spokeswoman declined to comment on his remarks or on Robinhood's calculation of how many customers will accept credits rather than contend with the uncertainties of litigation.

The systems collapse, which Robinhood has attributed to insufficient capacity to handle trading volume on March 2 and March 3, came at a challenging time for its business model.

The Silicon Valley firm relies on payments from trade execution firms for its customers order flow, and on upgrading customers to premium services, such as research. Self-service brokerage giants such as Charles Schwab, Fidelity Brokerage and InteractiveBrokers late last year cut their stock commissions to zero.

The trading systems collapse also occurred as uncertainty over the economic implications of the coronavirus crisis has ignited market volatility, a condition in which risk-accepting customers seek quick executions. Technology issues overwhelmed Morgan Stanley on Wednesday

(<https://advisorhub.com/morgan-stanley-order-entry-order-status-system-breaks-down/>), as customers and its more than 14,000 brokers were unable to view accounts for most of the day and had to use alternative order-routing measures to get trades executed. The issue related to third-party software and Morgan Stanley plans to “remediate” customers (<https://advisorhub.com/morgan-stanley-to-remediate-clients-affected-by-outage/>) affected by the outage, a spokeswoman said.



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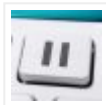


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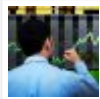
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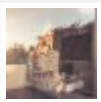
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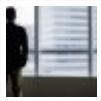
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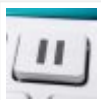
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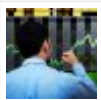
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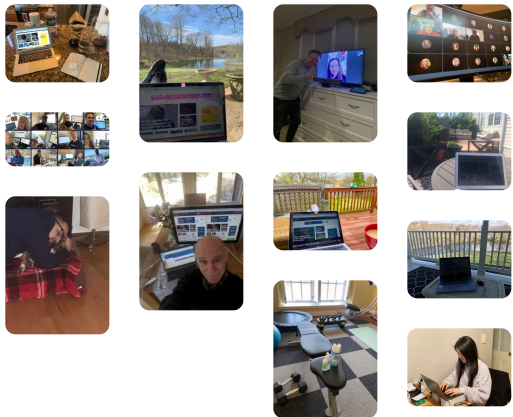


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